GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1870
ANSWERED ON:03.08.2001
MONITORING OF ECONOMY BY RBI
BASUDEB ACHARIA;SAMAR CHOUDHURY

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India inspite of closely monitoring the economy is uncomfortable with the State of affairs of the economy;

(b) if so, the reasons therefor; and

(c) the remedial steps taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a),(b)&(c): The assessment of the Reserve Bank of India has been presented in the April 19, 2001 statement on monetary and credit policy for the year 2001-02. As per this assessment, the overall macro-economic indicators during 2000-01 remained favourable for growth with price stability. Among the positive developments were an easing of the inflation rate towards the close of the year, considerable strengthening of the balance of payments, lower current account deficit and rising level of foreign exchange reserves. However, there was decleration in the real Gross Domestic Product (GDP) growth to 5.2per cent in 2000-01 from 6.4 percent in 1999-2000. Assuming revival of industrial sector, reaonable monsoon and good performance of exports, the monetary and credit policy statement has, for the purpose of monetary policy formulation, placed the likely growth rate of real GDP at 6 - 6.5 percent in 2001-2002. The objective conditions for revival of growth are favourable. The outrlook for agricultural growth has been brightened by the favourable monsoon. The broad strategy with focus on agriculture and rural development, as set out in the Union Budget for 2001-02, is therefore expected to facilitate a significant increase in agricultural growth in the current financial year. This, in turn is expected to contribute to the revival of growth in other sectors of the economy.